

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA
RENO, NEVADA

SHUFFLE MASTER, INC.,) 3:04-CV-0407-ECR-RAM
)
)
Plaintiff,)
) ORDER
)
vs.)
)
MP GAMES, LLC D/B/A MINDPLAY)
GAMES, ROBERT MOUCHOU,)
ALLIANCE GAMING CORP. D/B/A)
BALLY GAMING AND SYSTEMS)
and)
BALLY GAMING, INC.,)
)
)
Defendants.)
_____)

I. Procedural Background

On October 22, 2004, Plaintiff Shuffle Master ("Plaintiff" or "Shuffle Master") filed an amended complaint (#42) against Defendants Bally, Mindplay and Robert Mouchou ("Defendants" or "Bally")¹ alleging patent infringement and trade secret misappropriation. In particular, Plaintiff alleged that Defendants' MP 21 System infringed on their patent, U.S. Patent No.

¹We note that although Defendants were referred to in the briefings as "Mindplay," the parties now choose to refer to Defendants as "Bally" due to Bally's role in developing and marketing the allegedly infringing MP 21 System.

1 6,313,871 or the "'871", for which Oliver Schubert is the named
2 inventor. Plaintiff also claimed that the MP 21 System was
3 invented through misappropriation of Plaintiff's trade secrets.
4 Defendants then brought a counterclaim (#45) on October 28, 2004,
5 against Plaintiff alleging that Shuffle Master misappropriated
6 Defendants' trade secrets after viewing a demonstration of the MP
7 21 System while under a non-disclosure agreement.

8 On January 27, 2005, the parties entered into a stipulation
9 for a Markman hearing for claim construction of contested terms of
10 Plaintiff's and Defendants' patents (#125).

11 Plaintiff filed an opening claim construction brief (#137) on
12 February 25, 2005. Defendants responded to Plaintiff's opening
13 brief (#164) on March 25, 2005 and Plaintiff filed a reply (#197)
14 on April 11, 2005.

15 Defendants filed an opening claim construction brief (#140) on
16 February 25, 2005. Plaintiff responded to Defendants' opening
17 claim construction brief (#168) on March 25, 2005 and Defendants
18 filed a reply (#187) on April 11, 2005.

19 20 **II. Factual Background**

21 This litigation stems from both Defendants' and Plaintiff's
22 patents which are used to survey gaming tables of casinos in
23 monitoring game play and betting.

24 Before the invention of the current technology involved in
25 this litigation, humans walking around casinos or video cameras or
26 humans surveying from above were used to monitor gaming activity in
27 casinos. ('871, Description of Related Art, 1:24-47). The

1 automatic systems which use video cameras and computer programs to
2 monitor play activity have reduced labor costs as well as the
3 number of errors that human monitors used to make in surveying
4 gaming tables. The technology described in this litigation is part
5 of comprehensive systems for monitoring game play and analyzing
6 betting on a gaming table. Both Defendants' and Plaintiff's
7 technology concern collecting data on chips and other betting
8 activities to analyze and monitor game play.

9 Bally and Shuffle Master are competitors in the business of
10 game monitoring systems. These systems are used in casinos all
11 over the United States and are employed in all types of casino
12 games including blackjack, roulette, craps, and wheel of fortune.

13 Bally and Shuffle Master vary widely in their account of the
14 facts leading to this litigation.

15 The Plaintiff Shuffle Master begins with the '871 patent's
16 (entitled "Apparatus and Method for Monitoring Gambling Chips")
17 filing on February 19, 1999. The patent was issued on November 20,
18 2002. The '871 was reduced to practice no later than 1996.
19 Shuffle Master purchased the patent from Oliver Schubert in August
20 2002.

21 Plaintiff claims that its trade secrets were disclosed in July
22 1997 during a prototype demonstration given by Richard Schubert to
23 Robert Mouchou and Gene Carano, who were at that time executives of
24 the El Dorado Hotel and Casino. The meeting between Schubert,
25 Moucho and Carano was part of a round of discussions to start a
26 joint venture between Schubert and the El Dorado to create a fully
27 integrated game table monitoring system. As part of these

1 discussions, the El Dorado had tentatively agreed to purchase the
2 invention which was the subject of the '871 patent as well as the
3 chip recognition system ('647 patent) owned by Schubert. The
4 agreement papers, Schubert claims, were sent to Mouchou and
5 included the trade secrets of the invention.

6 Plaintiff claims that instead of striking a deal with
7 Schubert, Mouchou disclosed the trade secrets given to him by
8 Schubert to Mindplay which then created the MP 21 System.

9 Defendants have a different version of the history of this
10 litigation. MP Games LLC ("Mindplay") is a limited liability
11 company which was founded by Richard Soltys, Richard Huizinga and
12 Creed Jones in 1998. Mindplay's assets were purchased by Alliance
13 Gaming Corporation in early 2004. Bally, a subsidiary of Alliance
14 Gaming, is currently marketing the MP 21 System which incorporates
15 the Mindplay patents. Soltys and Huizinga began in 1998 developing
16 and marketing a new technology that monitors play on a blackjack
17 table. Soltys and Huizinga obtained patents for the technology in
18 2001, including the eight patents in question in this litigation.

19 In 2001, Shuffle Master inquired about Mindplay's proprietary
20 technology when the MP 21 System was still in development.
21 Defendants claim that following a demonstration by Mindplay,
22 Shuffle Master approached Schubert desiring to create the same
23 system for automatic game table monitoring. Schubert assisted in
24 the development of SmartTable, a rival product of the MP 21 System,
25 which Shuffle Master demonstrated at the Global Gaming Expo in Las
26 Vegas in 2003. After this demonstration, Shuffle Master approached
27 Mindplay about licensing Mindplay's patents for game table

1 monitoring. When Mindplay refused, Bally argues, Shuffle Master
2 filed this suit.

3 **III. Applicable Law**

4 There are two steps to a patent infringement case. Cybor
5 Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1454 (Fed. Cir. 1998) (en
6 banc). First, the court must engage in "claim construction": the
7 defining of the meaning and scope of the claims of the patent.
8 Markman v. Westview Instruments, Inc., 517 U.S. 370, 384 (1996).
9 Second, infringement is determined by comparing the accused device
10 to the properly construed claims. Cybor Corp., 138 F.3d at 1454.
11 While claim construction is a question of law for the court, the
12 second step of infringement analysis is a question of fact for the
13 fact finder. See N. Am. Container, Inc. v. Plastipak Packaging,
14 Inc., 415 F.3d 1335, 1344 (Fed. Cir. 2005).

15 Plaintiff and Defendants in this case have asked the court to
16 engage in claim construction concerning patents of both Plaintiff,
17 '871 and '647, and Defendants, '436, '857, '271, '836, '837, '180,
18 '181, '696.

19 Although construing a patent is much like construing a statute
20 or contract, there are several important differences. Recently,
21 the Federal Circuit clarified the principles and evidence
22 (intrinsic and extrinsic) which district courts are to use in
23 engaging in claim construction. See Phillips v. AWH Corp., 415
24 F.3d 1303 (Fed. Cir. 2005). There were several important
25 principles that emerged from this case that will be discussed below
26 in order to instruct our claim construction process.

1 **A. Intrinsic Evidence**

2 First, Phillips emphasized that the *primary* sources for
3 guidance in claim construction are the intrinsic sources: claim
4 language, written description of the specification (including
5 drawings and figures), as well as the prosecution history. Id. at
6 1312; Zodiac Pool Care, Inc. v. Hoffinger Indus., Inc., 206 F.3d
7 1408, 1414 (Fed. Cir. 2000); see also Teleflex, Inc. v. Ficos N.
8 Am. Corp., 299 F.3d 1313, 1324-25 (Fed. Cir. 2002) ("the intrinsic
9 evidence may provide context and clarification about the meaning of
10 the claim terms"); Vitronics Corp. v. Conceptronic, Inc., 90 F.3d
11 1576, 1582-83 (Fed. Cir. 1996) ("intrinsic evidence is the most
12 significant source of the legally operative meaning of disputed
13 claim language"). These elements consist of the "public record" of
14 the patent and are therefore more capable of putting the public on
15 notice of what is protected by the patent. See Markman, 517 U.S.,
16 at 373. The importance of each of these intrinsic sources descends
17 from the claim language, to the specifications, to the prosecution
18 history. Phillips, 415 F.3d at 1312.

19
20 **1. Claim Language**

21 Examination of the claim language is the first matter for the
22 court in construing claim terms from a patent. Teleflex, 299 F.3d
23 at 1324. The court is required to search for the "ordinary and
24 customary" meaning of the term or "the meaning that the term would
25 have to a person of ordinary skill in the art in question at the
26 time of the invention, i.e., as of the effective filing date of the
27 patent application." Phillips, 415 F.3d at 1303. However the

1 ordinary meaning of the term is not taken in isolation. The
2 ordinary meaning of the term cannot be discerned without
3 examination of the context in which the term is used in the
4 contested claims as well as in other relevant claims as claim terms
5 are normally used consistently throughout the patent. Id., at
6 1314-15.

8 **2. Written Description and Drawings of the Specification**

9 The written description and drawings of the specification are
10 especially important in the construction of the claims due to the
11 fact that the specifications are required by patent law to be "a
12 sort of dictionary which explains the invention and may define
13 terms used in the claims." Markman v. Westview Instruments, Inc.,
14 52 F.3d 967, 979-80 (Fed. Cir. 1995).

15 Specifications are used in very explicit ways in claim
16 construction. First, the specifications can be used to modify an
17 ordinary meaning when the patentee has given the term a special
18 meaning in the specifications. Phillips, 415 F.3d, at 1313. Such
19 special meaning need not be expressly stated. Indeed, "when a
20 patentee uses a claim term throughout the entire patent
21 specification in a manner consistent with only one single meaning,
22 he has defined that term by implication." Bell Atlantic Networks
23 Servs., Inc. v. Covad Communications Group, Inc., 262 F.3d 1258,
24 1271 (Fed. Cir. 2001).

25 Second, when there is no ordinary meaning that can be
26 discerned from the claim itself, the specifications should be

1 consulted to determine definite meaning. CCS Fitness, Inc. v.
2 Brunswick Corp., 288 F.3d 1359, 1367 (Fed. Cir. 2002).

3 Third, a patentee might disavow a meaning in the
4 specifications that should be eliminated from the claim
5 construction. Teleflex, 299 F.3d at 1325-27. Finally, the
6 construing court may deviate from the ordinary meaning if there are
7 terms in the specifications that can be seen as important that
8 change the ordinary meaning discerned from the claim terms. Toro
9 Co. v. White Consol. Indus., 199 F.3d 1295, 1301 (Fed. Cir. 1999).

10 Specifications should never be used to limit the scope of a
11 claim but only to enlarge it. Teleflex, 299 F.3d at 1326. Because
12 preferred embodiments are usually discussed in the specifications,
13 such embodiments are not exclusive for purposes of claim
14 construction. Id.

16 **3. Prosecution History**

17 The Phillips court also specified that the prosecution
18 history, if any, is also highly relevant to claim construction.
19 Phillips, 415 F.3d at 1317. Prosecution history is useful because,
20 like the specifications, it was "created by the patentee in
21 attempting to explain and obtain the patent." Id. Prosecution
22 history can change the meaning of the claims in two ways: either
23 the patentee discloses a preferred meaning of the terms or he
24 disclaims a meaning of the terms. Id. However, the Phillips court
25 cautioned that because the prosecution history involves negotiation
26 between the patentee and the Patent and Trademark Office ("PTO"),
27 the prosecution history lacks clarity and finality. Id. at 1318.

1 Therefore, the prosecution history is less important than the
2 specifications and claim language in claim construction. Id.

3
4 **B. Extrinsic Evidence**

5 If after having analyzed all the intrinsic evidence, the claim
6 terms remain ambiguous, the court may turn to extrinsic evidence in
7 resolving the ambiguity. Phillips, 415 F.3d at 1318. However,
8 extrinsic evidence is less reliable than the patent and its
9 prosecution history and consulting such sources should be avoided.
10 Id.

11 The court in Phillips authorized the use of technical
12 dictionaries and treatises in aiding in determining the meaning of
13 particular terminology used by those skilled in the art. Id. In
14 addition, the court stated that expert witnesses could be helpful
15 in providing background on the technology at issue, in
16 understanding technical aspects of the field of invention as well
17 as the invention itself, and in explaining a particular meaning
18 that a term has in the particular field relevant to the patent.
19 Id.

20 **IT IS HEREBY ORDERED** that the claims presented for
21 construction in Plaintiff's Opening Claim Construction (#137) and
22 in Defendants' Joint Opening Claim Construction (#140) are
23 construed as set forth in Exhibit A attached hereto.

24 This 20th day of December, 2005.

25
26 
27 UNITED STATES DISTRICT JUDGE
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